



REMARKS OF THE CITY MANAGER
FY 2019 CITY BUDGET PROPOSAL
JULY 20, 2018

(This is a recap of the remarks made by City Manager Mike Matthes on July 20, 2018. It is not a verbatim account of his statement.)

This budget is defined by a lack of revenue. That's the same thing we said last year. Our ability to provide services in a full-service city has reached a tipping point. Expenditures are down 1.9 % and revenues are down 1.1% overall. We do have a balanced general fund, but that does not come without some pain.

We have 4 overarching goals for the budget in our community.

- Balance the general fund
- Avoid layoffs
- Provide employees with some wage increases
- Achieve the goals of the strategic plan

Sales tax growth has lagged since 2009. Before that, we were used to 5% growth in revenues. This year, we are tracking to be 2% lower than last year in terms of sales tax revenues. Gross receipts are down. Telephone land lines are disappearing, so we do not capture those fees. Property tax collections do not help us much since that accounts for only 11% of our revenues. We as a city do not collect nearly as much in property tax as Missouri's top ten cities. In this new budget, we believe that both expenditures and revenues will be up 1.2%.

So how did we cut the budget to make the budget balance?

- We cut fleet replacements, but we cannot do that forever.
- We continued the 45-day hiring delay.
- We have cut departmental budgets across the board.
- We try to provide small raises across the board by trying to cut line items that do not impact the public directly. For instance, we cut the custodial staff and have less frequent cleaning.

We have reached the point where we are out those kinds of things to cut. Any future cuts after this will require significant or total elimination of service lines.

We still have a good bond rating. We make the tough decisions to make sure we can make our bond payments. We have kept our utility increases low, below \$5 increases per year.

We have seen continued sales tax erosion. We will start this year with about \$1 million less than last year. That is before we can talk about raises and pay scales.

We continue to pursue our strategic plan. We have had impressive results without a lot of resources. We did have some savings last year and we asked departments to produce savings in individual budgets. This is the final year of our strategic plan, so we have to create a new plan and that will cost \$50,000. We want to continue our key programs like the job training/matching program.

Other concepts for savings have been advanced but not yet approved, including new fire facilities, a potential performance audit, different policing initiatives, etc. Those will all be discussed and decided by the council during the upcoming budget hearings.

Our priorities are solid, and our partners are good. We have added 1,000 jobs in this community over the last few years. Our unemployment rate is very low. The airport is an economic development asset and we are actively pursuing improvements. The spin off economic impact is estimated to \$87 million.

Social equity is the lens we examine all of this through. More people are thriving in our strategic neighborhoods. We use a model and the results are positive. We have an effective community policing model and it has reduced crime. But, we are still addressing policing in this community.

Public safety overall is a huge issue and major expenditure. We dedicate 2 of every 3 dollars of discretionary funds to public safety. Two parts of our community are underserved. Fire service is important, and we need to create new stations on the east side of Columbia near Old Hawthorn. We have funding and staffing available to build and staff a new station there.

We also have a great need in the Thornbrook area. This benefits the entire city, not just one part. We are all in this together. It is a system service. We do not have funding for the southwest station, so we are recommending allowing our property tax limit to rise by 2.3 cents. That works out to about 78 cents per person per month on average. Our property tax has not increased for a long time. The city will provide a table that lets you calculate your own tax impact and shows how that calculation would work. The annual average cost would be \$9.35. Many people don't have to write a check because it is rolled into escrow by the lender. If you own your home outright, you do have to write a check. The rates are not high.

Community policing in our strategic neighborhoods has worked well. We have a 22% reduction in the 8 categories we care about most – and those are violent crimes. Because of the success of this model over time, the council has asked for a report and a plan that will work city-wide. We will have a plan ready by August 31 and we will cross the finish line together.

The new north police station is in design and underway. We have concerns about the steel tariff. If that tariff kicks in, we will be forced to switch from steel to wood construction for that facility. We are holding our breath on that.

In the infrastructure category, there is a water bond issue on the ballot. It will include an 11% raise in rates over the next three years, with about \$2.71 per month increase in rates. In terms of transportation, our bus system is in trouble. We will need to shift funds to this system to keep it running even though it has been scaled back. We will reduce times of service and shave an hour off the total day service. We will increase paratransit fees by \$1.00. We will adopt route cuts and the use of a Wabash Station. We will also scale back the paratransit service area to federal guidelines. We will eliminate Saturday service and will also cut service to special weekend events like Roots and Blues, etc.

Operational excellence is a goal. We embrace things like high performance and fair and predictable pay. We have a low resource base, but our citizen service surveys show us at a 73% satisfaction rate overall. This is a lot better than other cities, particularly those cities with more resources. Unfortunately, funding is not available to offer a significant raise. We will be able to deliver a raise of 25 cents an hour across the board. I am also adding one more holiday to the budget. That will be the day after Thanksgiving. Staff chose that overwhelmingly. We trail the county and the state in terms of holidays.

We had a 3.35% increase in health care costs. That's not bad, but it is still an increase. I have great concerns about turnover and employee morale. You have heard from police, line workers and other parts of the city. It is endemic to the entire city. We struggle with empty positions and retirements. It gets harder to replace if we have lower salaries than surrounding employers. 20% of our workforce will retire in the next 4 years, so the problem is growing.

I want to end with a teaser. This subject comes after the fiscal year 2019 budget. We have to begin to find new sources of income or reduce services. I feel strongly that this should be a community and council decision. Traditionally, cities use priority-based budgeting. You make a list and you prioritize them. Something will be least important, but some things are required by law. We have to have a P&Z commission for instance. You can also look at places where a service may be duplicated and address the duplication. Or, can you privatize or sell the enterprise? The revenue is so small that we will have to cut, and we have been cutting for ten years. Every department is now nearly 30% understaffed and our pay scale is about 30% lower than it should be. What service are we going to cut, or, alternatively, how can we raise revenues? One option is to implement a use tax on Internet sales if the state allows us to do that. A Supreme court ruling now allows that. If that would go through, we would not need any new ballots. We could realize \$10 million a year from that revenue. However, that is not a reality today. We will work to achieve that.

Our system has changed along with our world. Over half of all transactions are not taxable. If those return to the taxable side, we will be fine. If not, we will still have a lack of revenue and we will have to go to the ballot or make cuts.

That concluded the public remarks of the City Manager.